

	Montana Operations Manual  <b><i>Policy</i></b>	<b>Policy Number</b>	7.03
		<b>Effective Date</b>	March 21, 1998
		<b>Last Revised</b>	December 19, 2011
<b>Issuing Authority</b>	Department of Administration		
<b>Risk Retention</b>			

## I. Policy Purpose

The purpose of this policy is to specify the responsibilities of the Risk Management & Tort Defense Division (RMTD) and state agencies for the payment of deductibles and uninsured losses.

## II. Definitions

Deductible - An amount paid by a state agency and/or the Risk Management & Tort Defense Division (RMTD) before commercial insurance. For example, state agencies pay the first \$1,000 of a property claim. RMTD satisfies the remainder of the deductible (i.e. \$499,000) before commercial insurance applies.

Excess Insurance – That portion of a loss excess of a deductible.

Premium Discount - A discount applied to the amount that is budgeted for insurance premium in HB2 each biennium.

Policy Limit - The total amount of insurance provided under self-insured and/or commercially insured programs in the event of a loss. Limits may vary by insurance policy and by exposure.

Property/Casualty Fund – A fund administered by RMTD that centrally pays for insurance, claims, and associated costs in behalf of state agencies.

Retained Loss (Retention) - The dollar amount of a loss assumed by state agencies as deductibles or uninsured losses.

## III. Retention Criterion

- A. Losses that are ideally retained are those that are limited in individual size to an amount within the agency's financial capacity and are unlikely to occur in larger numbers during a short period of time. Losses that are not covered by insurance. Examples: Physical damage to state vehicles.
- B. State agencies retain losses that exceed insurance policy limits or

uninsured losses such as damage due to wear and tear, latent defect, inherent vice, rust, rotting, mechanical breakdown, settling, cracking, animals, vermin or rodents, and pollutants. Example: Water impact damage and wear and tear to a seawall.

- C. The property/casualty insurance fund MAY pay in whole or in part, retained losses on behalf of state agencies.

Consideration shall be given to the following:

1. an agreement existed with the agency prior to the loss;
2. the loss was not foreseeable or expected;
3. the agency cannot provide or fulfill a vital service in the absence of indemnification from loss; and
4. the loss is within the property/casualty insurance fund's capacity to retain.

#### **IV. Establishing Deductible Levels**

Deductible levels are established by RMTD with input from state agencies. Deductibles levels that are too high may result in large losses that adversely affect agency budgets. On the other hand, deductible levels that are too low do not promote risk sharing.

RMTD offers various deductible alternatives depending on the type of insurance coverage. Agencies that select higher deductibles receive higher insurance premium discounts as a reward for assuming a higher level of risk. Agencies that select lower deductibles receive lower insurance premium discounts since more risk is assumed by RMTD or commercial insurance carriers.

A summary of insurance coverages, deductibles and policy limits may be found on RMTD's website at <http://rmt.d.mt.gov/insurance/propertycasualtyinsurance.mcp.x>.

#### **V. Rules Governing**

None

#### **VI. Statutes Governing**

§2-9-201, MCA

#### **VII. Forms**

None.

## VIII. Administrative Use

History Log	
Approved Date:	March 21, 1998
Effective Date:	March 21, 1998
Change and Review Contact:	<u>Brett Dahl</u>
Review:	Event Review: Any event affecting this policy may initiate a review. Such events may include a change in statute, key staff changes or a request for review or change.
Scheduled Review Date:	Five years from Effective Date
Last Review/Revision:	December 19, 2011
Changes:	